

Message Text

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ACTION EB-08

INFO OCT-01 EA-07 NEA-10 ISO-00 L-03 FRB-03 OMB-01 ITC-01

SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3327

INFO AMEMBASSY BANGKOK

AMEMBASSY KATHMANDU

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E.O. 11652: N/A

TAGS: ETRD, UNCTAD, BG

SUBJECT: UNCTAD JUTE CONSULTATIONS

REF: STATE 7242

1. ECON COUNSELOR DISCUSSED SUBJECT JANUARY 21 WITH THE MINISTRY OF JUTE SECRETARY M.S.H. CHISHTY, WHO IS EXPECTED TO LEAD BDG DELEGATION TO UNCTAD PREPARATORY CONFERENCE ON JUTE (GENEVA, JANUARY 31 TO FEBRUARY 4). OUR RESPONSE TO QUESTIONS RAISED PARA 3, REFTEL, DRAWS ON HIS COMMENTS, PARTICULARLY ON LONG-TERM PLANNING, AND SUPPLEMENTS INFORMATION PROVIDED EARLIER BY THIS EMBASSY IN MESSAGES LISTED IN PARAGRAPH 5 BELOW.

2. ROLE AND PRIORITY OF JUTE IN BDG DEVELOPMENT PLANS (PARAS 3 (A) AND (C) REFTEL). RAW JUTE AND JUTE GOODS ARE THE MAJOR EXPORT EARNER OF BANGLADESH, ACCOUNTING FOR OVER 80 PERCENT OF TOTAL EXPORT EARNINGS. THERE IS NO SINGLE DOCUMENT FORMALLY SETTING FORTH ANY LONG-TERM COMPREHENSIVE
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SIVE PLAN FOR JUTE. HOWEVER, ACCORDING TO CHISHTY, THE BDG HAS AGREED TO CERTAIN BROAD PRINCIPLES WHICH WILL GUIDE JUTE POLICY OVER LONG-TERM. THESE ARE:

A. RAW JUTE SECTOR AND ACREAGE. THE PRE-INDEPENDENCE "NORMAL" PRODUCTION OF RAW JUTE WAS ABOUT 6 TO 6.5 MILLION BALES (OF 400 LBS.) FROM 2.2 MILLION ACRES. CONSTANT

PRODUCTION AT THIS LEVEL IS EXPECTED TO MEET TOTAL DEMAND IN FUTURE YEARS. THE INTENSIVE JUTE CULTIVATION SCHEME, WHICH IS TO COVER 300,000 ACRES IN 1976/77 AND ABOUT 500,000 IN 1977/78 IS TO BE GRADUALLY INCREASED OVER TIME UNTIL IT COVERS TOTAL JUTE PRODUCTION ON 11.7 MILLION ACRES. THIS "GREEN RDXOLUTION" SCHEME IS SUPPORTED BY A \$9.55 MILLION ASIAN DEVELOPMENT BANK JUTE SEED RESEARCH AND MULTIPLICATION PROJECT, WHICH TOGETHER WITH BDG EXTENSION EFFORTS, IS TO RAISE PER ACRE PRODUCTION TO POINT WHERE 6.0 TO 6.5 MILLION BAILES ARE PRODUCED ON 1.7 MILLION ACRES, FREEING 500,000 ACRES FOR OTHER CROPS.

B. JUTE PRODUCTS SECTOR

(I) TRADITIONAL PRODUCTS (I.E. HESSIAN, SACKING, CARPET-BACKING). THERE WILL BE NO RPT NO FURTHER EXPANSION OF JUTE GOODS PRODUCTION CAPACITY IN THIS NATIONALIZED SECTOR, BUT EXISTING MILLS WILL BE MODERNISED OVER TIME TO ATTAIN FULL CAICITY PRODUCTION.

(II) NEW PRODUCTS. THE GOVERNMENT IS ENCOURAGING THE DIVECSIFICATION OF JUTE PRODUCTION IN THE PRIVATE SECTOR INTO SOPHISTICATED FABRICS AND OTHER PRODUCTS, SUCH AS ORIENTAL-TYPE CARPETS AND WALL COVERINGS. JOINT VENTURES WITH FOREIGN PRIVATE INVESTMENT ARE WELCOME. TWO SOPHISTICATED FABRICS HAVE BEEN DEVELOPED AT THE BANGLADESH JUTE RESEARCH INSTITUTE (BJRI) AND THE BANGLADESH COUNCIL OF SCIENTIFIC AND INDUSTRIAL RESEARCH (BCSIR) RESPECTIVELY. ONE IS CHEMICALLY-TREATED JUTE TO GIVE IT SOME OF THE QUALITIES OF WOOL ("WOOLENIZATION") AND THE OTHER, A COMPARABLE APPROACH ("COTTONIZATION"). THE SE OF SUCH PRODUCTS WITHIN BANGLADESH COULD REDUCE, AT LEAST LIMITED OFFICIAL USE

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MARGINALLY, IMPORTS OF OTHER FABRICS AND SUCH RAW MATERIALS AS RAW COTTON. THESE FABRICS WERE TESTED IN INTERNATIONAL LABORATORIES, CHISHTY TELLS US, AND MAY ALSO FIND MARKETS ABROAD.

(III) RESEARCH. FOLLOWING AN IBRD RECOMMENDATION, THE BDG HAS GIVEN THE BJRI RESPONSIBILITY FOR WOOLENIZATION AND THE BCSIR RESPONSIBILITY MEOR COTTONIZATION. A PILOT PLANT IS PLANNED TO PRODUCE COTTONIZED JUTE AND THE IBRD IS TO ASSIST WITH DEVELOPMENT OF WOOLENIZED JUTE. OTHER USES OF JUTE INCLUDE THE MANUFACTURE OF A FIBERGLASS-LIKE BUILDING MATERIAL, USING RAW JUTE, BEING DEVELOPED UNDER A CARE PROJECT. SECRETARY SPECIFICALLY SAID THAT RESEARCH TO BE UNDERTAKEN BY JUTE INTERNATIONAL WOULD NOT RPT NOT DUPLICATE PRESENT BDG EFFORTS.

3. REGULATING JUT SPRODUCTION (PARA 3(B), REFTTEL).

AS NOTED ABOVE, BDG DOES NOT BELIEVE THAT THE TOTAL QUANTITY OF RAW JUTE REQUIRED ANNUALLY, BOTH FOR EXPORT AND FOR DOHFSTIC MILL PRODUCTION, IS LIKELY TO RISE

ABOVE 6.0 TO 6.5 MILLION BALES. THE PRESENT SUPPORT PRICE FOR RAW JUTE OF TAKA 90 PER MAUND (82 POUNDS) IS WELL ABOVE THAT FOR RICE AT TAKA 74 PER MAUND FOR PADDY. JUTE ACREAGE WHICH HAD DROPPED AS LOW AS 1.4 MILLION ACRES-TWO YEARS AGO (WHILE RICE ACREAGE ROSE) IS AGAIN EXPANDING. WE JUDGE THIS PRICE SUPPORT ARRANGEMENT TO HAVE BEEN REASONABLY SUCCESSFUL TO DATE.

4. COMMENT: (A) BANGLADESH REMAINS HIGHLY DEPENDENT ON JUTE FOR ITS EXPORT EARNINGS, WHICH HAVE BEEN RELATIVELY STAGNANT AROUND A MID-POINT LK ABOUT \$350 MILLION FOR FOUR YEARS. BDG ALSO RECOGNIZES NEED TO REDUCE THIS DEPENDENCE OVER TIME. THE US IS THE MAJOR BUYER OF JUTE GOODS AND THIS PRESENT COMBINATION OF EXTREME DEPENDENCE ON JUTE EXPORTS AND ON US PURCHASES OF JUTE GOODS MAY

GIVE US GREATER NEGOTIATING WEIGHT THAN DISCUSSIONS TO LIMITED OFFICIAL USE

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DATE HAVE SUGGESTED. JUTE SECRETARY, WHEN ASKED IF THERE WAS ANY CHANGE SINCE LAST FALL (76 DACCA 5381 AND 5282), HINTED THAT BDG POSITION AT UPCOMING UNCTAD PREPARATORY CONFERENCE MIGHT POSSIBLY CONTAIN GREATER ELEMENT OF FLEXIBILITY THAN HERETOFORE. WE FRANKLY DOUBT THIS POSSIBLE FLEXIBILITY WILL SURVIVE BDG CONSULTATIONS WITH OTHER THRID WORLD PRODUCERS. WE HAVE, HOWEVER, GIVEN JUTE SECRETARY CHISHTY TEXT OF US STATEMENT AT OCTOBER 25-27 UNCTAD JUTE MEETING (AS CARRIED PARA 2, 76 GENEVA 8564); HE IS THUS FULLY AWARE OF US POSITION.

(B) RESEARCH. BDG HAS VERY LONG WAY TO GO INDEED TO IMPROVE PRESENT INEFFECTIVE BJRI AND BCSIR RESEARCH ORGANIZATIONS, BUT SOME IBRD AND OTHER ASSISTANCE WILL HELP HERE.

5. PREVIOUS REPORTS. IN ADDITION 76 DACCA 5381 AND 5282 USDEL MAY FIND FOLLOWING 1976 REPORTS OF USE:

- A) DACCA A-124, OCTOBER 15;
- B) DACCA A-114, SEPTEMBER 24; AND
- C) DACCA A-96, AUGUST 27.

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Disposition Approved on Date:
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